# The changing landscape of connected TV: Amazon's ad-supported model and its implications



This week marked a significant milestone in the evolution of the connected TV (CTV) marketplace, as it has been one year since Amazon Prime Video launched its ad-supported tier. This development represents a fundamental transformation in the business strategies of streaming giants, transitioning from a predominantly subscription-based model to one that incorporates advertising as a primary revenue source. Although Amazon was not the initial company to adopt this approach—following Netflix and Disney+—its strategy stood out as particularly distinctive. Unlike its competitors, which allowed subscribers a choice between ad-supported and ad-free models, Amazon made the inclusion of advertisements the standard for new and existing users, incentivising those interested in an ad-free experience to pay a premium.

New data from Kantar indicates that this shift may signify a broader trend within the streaming industry, with one-third of new subscribers now opting for ad-supported services. Netflix, building on this momentum, announced its objective to double its ad revenue by 2025, signalling a significant shift in focus within the TV landscape that appears to be reverting to a more advertisement-centric model.

As the dynamics of CTV evolve, the past decade has witnessed the emergence of varied viewing models, each delineated by distinct acronyms such as SVOD (Subscription Video on Demand), AVOD (Advertising Video on Demand), BVOD (Broadcaster Video on Demand), and FAST (Free Ad-Supported Streaming TV). While the average viewer may not engage with these terminologies, they do encapsulate different audience expectations regarding content and viewing experiences.

A consumer survey conducted in collaboration with ISBA revealed variances in acceptance of advertisements across different channel types. Linear and FAST channels achieved the highest acceptance rates of 59% and 57%, respectively, while SVOD, BVOD, and AVOD channels hovered around 46%. This disparity appears to stem from audience expectations regarding ad placements; traditional ad-supported channels enjoy a built-in acceptance, whereas shifts to ad-supported models on newer platforms may cause friction for those accustomed to an ad-free experience.

As streaming services with ad tiers compete not only against one another but also against traditional television, they must remain acutely aware of audience preferences to continue generating revenue without alienating subscribers. With viewers increasingly discerning about advertising experiences, platforms that successfully deliver relevant and seamless ad content are likely to capture and retain audience interest.

The landscape of television advertising has changed significantly from the era of linear broadcasts, wherein viewers were routinely subjected to fixed ad breaks. Today's streaming audiences expect an array of on-demand content that can be curated for individual tastes or specific viewing contexts. There is a growing recognition among streaming platforms that understanding viewer intent regarding both content and advertisements is crucial, as evidenced by research indicating higher ad acceptance during collective viewing experiences, such as family or friends watching together.

Innovations in advertising technology have also transformed television into a comprehensive sales channel, facilitating shoppable ads and seamless customer experiences. Research indicates that 79% of consumers prefer contextually relevant advertisements, and first-party data on viewer behaviour has become increasingly valuable. The advent of artificial intelligence further promises revolutionary changes in targeting capabilities for advertisers by enabling platforms to better align ad content with viewer preferences.

As ad revenue gains significance within the streaming ecosystem, those companies able to enhance their ad experience are likely to achieve improved outcomes for advertisers while preserving a loyal subscriber base. Alex Hole, Senior Vice-President EMEA and General Manager at Samsung, underscores the potential for leveraging viewer data to navigate the next chapter of television advertising. As streaming platforms continue to adapt to changing consumer behaviours and expectations, the landscape appears poised for further evolution, with the industry remaining alert for the next substantial shift.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

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